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NOTES

WASHINGTON NOTES

A NEW ERA IN FEDERAL LEGISLATION
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The outcome of the election on November 5 makes it practically certain that a very great economic transformation is about to be effected through the agency of the national government. For the first time in sixteen years, the Democratic party will be in full control of every branch of the administration. This implies three classes of changes: (1) alterations of legislative policy; (2) changes in executive management; (3) substitution of new personnel for old. In each one of these directions, new policies undoubtedly will lead to important developments of an economic character. Among the many subjects of legislation affecting economic and commercial conditions that will be dealt with at an early date are currency, tariffs, the relations between labor and capital, civil service employment, and the status of the Philippines. It is probable that within eighteen months several of these topics will have been acted upon in an important manner. Effort is already being made to mold an entirely new set of executive policies with a view to use immediately upon the inauguration of President-elect Woodrow Wilson on March 4, 1913. The prospect of this action has already begun to produce important changes in business, including (1) the "holding-up" of orders for importations pending the development of the new tariff policy; (2) the economizing of reserves and the shaping of banking methods, with a view to such changes and rearrangements as may be necessitated by proposed action; and (3) the adoption generally of all possible safeguards against new legislative requirements calling for an alteration in present methods of carrying on trade. To terminate this uncertainty and to arrive at a settled policy at the earliest possible moment is now a task demanding the earnest effort of the newly elected

president and of his legislative advisers. The first problem to which they have been compelled to address themselves is that of a special session of Congress.

In attempting to determine the question whether a special session of Congress should or should not be held, the prospective administration is confronted by a considerable difficulty. During the campaign, partial promises were given to campaign contributors to the effect that every effort would be made to avoid a special session. This was in recognition of the fact that a prejudice exists in business circles against any unnecessary sessions of Congress. It is felt that there has been far too much legislation within the past few years, and that a respite would be very acceptable. Since the election it has appeared that politicians, on the other hand, are very nearly unanimous in their demand for a special session. This is on the ground that the session is necessary in order to show that the party intends to carry out its pledges in good faith and is disposed to act as early as possible with reference to the issues on which it carried through the recent contest. Politically, the argument has been placed before Governor Wilson that it would be very injurious to the party if he were to defer action on the tariff until the regular session of 1913-14. By so doing he would compel congressmen to enter the next congressional election on the heels of a revision of the tariff, which invariably results in discontent and loss of prestige at the polls. He would, therefore, be courting defeat at the congressional election which falls in the middle of his term of office; and, should the party be in fact defeated at that time, he would be in an unfortunate position for the remainder of his administration, since, with one house of Congress lost to him, further harmonious action upon his policies would be out of the question. The political future of the party is thus necessarily weighed by the President-elect against the pledges made in the campaign, and against the expressed desire of the business world which profits by present rates of duty, that there shall be a further postponement of action until a year from the present date.

Whenever the new Congress assembles, the tariff is the first issue which it must face. Present conditions offer an exceptionally interesting, almost an unprecedented, problem. The party, although just coming into power, has already committed itself very definitely with reference to the line it will follow in revision. On wool and woolens, cottons, iron and steel, sugar, and chemicals, bills have been passed

in both houses and sent to President Taft only to be vetoed by him. On wool and woolens, cottons, and chemicals, the bills have been passed twice and some of them sent to the President after the first veto only to suffer a second time at his hands. This latter action, moreover, was taken after the tariff board had reported on textiles, and had supplied the services of an expert investigator with reference to chemicals. It cannot, therefore, be stated that any of these bills were hastily acted upon. On the contrary the Democratic leaders have asserted and reasserted their belief in them. Postponement of the time for congressional action can mean only that President-elect Wilson thinks these bills will not do and desires either to substitute others in place of them, or at least to modify them very materially. Congressional politicians, on the other hand, feel that they cannot afford to withdraw from the position assumed in connection with the bills, unless they are willing to make themselves perfectly ridiculous, and to admit that they acted simply for the sake of manufacturing political capital. The wool bill cut the rate on raw wool to 20 per cent and on textiles to from 35 to 55 per cent. The proposed bills cut the rates to an average of about 28 per cent on cottons and to less than 20 per cent on chemicals, though the exact average in the latter case is harder to estimate because of very great changes in methods of reckoning duties. Sugar was made free, and the average rate on iron and steel was cut to not over 30 per cent. Plainly, to carry out this program will constitute a very severe and drastic change in existing schedules. It is not strange, therefore, that intense business anxiety is being exhibited as to the attitude of the new administration, and its power to make its opinions effective with Congress.

Second only to the tariff situation is the question of banking and currency. It will be recalled that at the last session of Congress the House Banking and Currency Committee was divided into two subcommittees, one intrusted with the task of framing legislation, the other assigned to investigation of the so-called "Money Trust." The latter subcommittee, under the leadership of Samuel Untermyer, a New York attorney, has had a staff of men at work during the summer and has now prepared four large documents dealing with the subject of interlocking directorates of national banks. These data have not been made public, although some preliminary announcements, acknowledged to be authentic, have been put into circulation. The counsel for the committee has at length been definitely refused by the administration access to the docu-

ments and reports in the possession of the Comptroller of the Currency, of the Secretary of the Treasury, of the Commissioner of Internal Revenue, and of the White House itself. This decisive prohibition, covering all administrative sources of information, has but just become known. Because of it, the committee is practically confined during the remainder of the life of the present Congress to the plan of getting its information by means of "hearings"—a plan singularly unsuitable and unfruitful for financial inquiry. The question is now acutely raised whether the Democratic party, when it comes into power, will determine to authorize a continuance or resumption of this investigation, notwithstanding that it was in the first instance undertaken simply for the purpose of making political capital. Thus far, the inquiry has simply served to stir up prejudice against the banks of the country, and has revealed no facts that were not previously known. Within the past two weeks, the inquiry has had an unexpected outgrowth in an effort by the counsel of the committee to secure the consent of New York bankers to a plan proposed by him for the incorporation of clearing-houses. This is an old scheme which was brought before Congress some years ago by Representative Pugsley of Peekskill, New York, in a bill which undertook to vest the clearing-houses with the power to issue currency and to perform many other functions subject to supervision by the United States.

The subcommittee intrusted with the task of framing legislation has drafted a new banking bill which is now before it together with the so-called Vreeland bill, identical with the monetary commission bill frequently noted in these pages. Hearings have been determined upon for the coming winter, and the chairman of the subcommittee announces that he will prepare and present to the committee a measure designed to rectify existing conditions, although he does not expect to press this on the floor at the present session. He believes that it will be necessary to pursue a campaign of education for the purpose of familiarizing the country with what is proposed and thereby preventing the banks from misunderstanding the purport of the measure which is in mind. It would be impossible in any event, according to him, to secure the adoption of a currency and banking bill in the United States Senate at the present session owing to the fact that the Republicans will predominate there until March 4, and to the further fact that President Taft would be expected to veto anything that did not coincide, in general terms at least, with the measures proposed by the National Monetary Commission. The immediate future of currency legislation is thus made to depend upon the date when a special session is summoned, or when

Congress meets in regular session. If special session plans should be followed, currency and banking legislation would presumably be attempted during the coming spring months of 1913; if everything should be deferred to the regular session, nothing probably would be done until nearly a year later, since regular business would necessarily take precedence of everything else at the session of 1913-14. In general, opinion in the party is apparently consolidating itself in favor of a sound measure of banking reform, which shall not go so far as the plan proposed by the National Monetary Commission toward central control of reserves. Beyond this general and vague statement of the tendencies at work, nothing can positively be asserted regarding the prospect of legislation. The obvious intention is to use the coming winter in developing definite views on the situation.

The new administration will find itself obliged to deal also with the trust question at a very early date. This gives renewed importance to the situation developed during the last session of Congress and also during the campaign. About two years ago a bill drafted by Louis D. Brandeis of Boston and intended to supplement the Sherman Anti-Trust law was offered by Mr. La Follette of Wisconsin. This bill sought to give independent interests the right to intervene in anti-trust cases and to collect damages in all those instances in which it could be shown to the satisfaction of a court of equity that real damage had been sustained. The bill received little support, but after the Democratic party had completed the investigation of the United States Steel Corporation through a committee headed by Representative Stanley of Kentucky, Mr. Stanley practically accepted the bill originally formulated by Mr. Brandeis, and, with the aid of the latter, prepared a revised draft of the legislation which he offered in the House as a means of remedying the evils supposed to be suffered under the existing trust system. The chief features of this bill, as noted in these columns at the time, were the enumeration of acts to be regarded henceforth as violating the Sherman Anti-Trust law by tending to reduce freedom of competition, and the provision of a means of redress for independent interests which had been damaged. Interlocking directorates were also forbidden. Although President-elect Wilson, while a candidate for the presidency, was urgent in demanding action on the anti-trust question, he has not specified in detail whether he accepts the Brandeis bill or not. However, inasmuch as Mr. Brandeis supported Mr. Wilson on the stump, asserting that the latter's policy was most conducive to correction of trust evils, it may be

assumed that the Brandeis measure represents substantially the character of action which will be attempted. An exceedingly interesting situation is thus produced, as well as one that directly and profoundly affects corporation policies.

Inasmuch as the Democratic party was pledged to the establishment of a qualified independent government in the Philippines, the action of the nation in electing the party on a platform containing a plank to that effect implies the adoption of a suitable measure at an early date. President-elect Wilson did not, in his speech of acceptance, commit himself quite so plainly to the independence idea as did the platform upon which he accepted the nomination, but the language he used was sufficiently clear to indicate sympathy with the plank in question. It is generally overlooked that the party has itself defined its position in detail on this question by reporting from the House Committee on Insular Affairs during the last session of Congress a measure known as the Jones bill, in which provision is made for the establishment of an independent government in the Philippine Islands at the end of eight years, the intervening time to be spent in direct preparation for self-government, under the charge of an American governor. He, however, would be simply executive head of the provisional administration, the real power being lodged in a senate and house of representatives chosen in a manner specified in the bill itself. As is well known, the present Philippine Assembly has no real power, inasmuch as the other house of the legislature is the Philippine Commission, a majority of which are Americans, and which has power to go on from year to year on the basis of the appropriations of the preceding year if no legislation has been adopted in the meantime. Altogether the action to which the Democrats are thus committed regarding the Philippines, although it has received little or no attention on the floor of Congress or on the stump, is among the most important features of the change in party control which now impends. The House leaders have already given written promises that they will pass the Jones bill in the lower chamber during the coming winter. The Democrats are expected to put the Jones bill, either in its original form or in a modified shape, through both Houses soon after the reassembling of Congress, either in special or regular session.

Alteration of the legal basis of the relationship between capital and labor is one of the promises to which congressional and party leaders are

now most firmly committed. For several years there has been a determined effort in Congress to secure the passage of what is known as an "anti-injunction bill" whereby labor organizations engaged in strikes would be placed upon a different basis with reference to the use of the equity power of injunction than would other individuals and organizations likely to come before the courts under similar circumstances. In addition it has been desired to have a strict eight-hour law in all those industries which expect to ship their products in interstate trade; and further to require that in all such industries as expect to sell supplies to the government the working-day shall be limited to eight hours on such products, the goods to be otherwise ineligible of acceptance by purchasing officers. Besides these measures, there is demand for the adoption of a stringent seamen's bill fixing the conditions under which seamen may be employed in ports of the United States and in the foreign commerce of the country, as well as in interstate trade. Measures relating to all these topics have been before Congress for some time but no action has been possible. That they will now be enacted, as part of the plan of legislation required for the fulfilment of the platform promises, is expected. In the final analysis, the responsibility for the proposed action will rest with the new president, since he will have to sign or veto the bills when they come to him. His record in New Jersey appears to give warrant to the belief that he will be favorable to such measures, if they are shaped with a reasonable degree of moderation and fairness. It is clear, however, that if anything is done in the directions referred to, it will necessarily produce very great transformation in the relationship between capital and labor so far as that is affected by federal law.

Not the least serious issue which must be met by the incoming administration relates to its attitude regarding civil service employment. It was the experience of President Cleveland during both of his terms of office that resistance to the hungry office-holders who had been kept from access to federal places for many years was nearly impossible. Mr. Wilson's problem, while perhaps less difficult than that of his party predecessor twenty years ago, will be in many respects peculiarly troublesome. The civil service is now a good deal more extensive than it was at that time. But the pressure for certain classes of places is proportionately greater. A peculiar phase of the matter is found in the fact that the Republicans have now been so long in office as to have succeeded in establishing a fairly high grade of efficiency in the management of the routine work of the various bureaus and

divisions. Although the important places in these offices are political in character, changes in the personnel, if now made on a wholesale basis, would probably result in a considerable disorganization. Further, the action of President Taft in issuing orders which placed a large number of postmasters and other officials under the control of civil service rules is likely to prove an embarrassment. Many of these postmasters are in the southern states and are not at all in harmony with the prevailing political sentiment of the communities to which they belong. It is therefore almost unreasonable to expect that they should be kept in office by the incoming administration merely because a predecessor had technically placed them under the civil service law, when the real fact is that this change simply operates to make permanent a body of employees distasteful to the localities in which they are placed and not particularly competent in the work to which they are assigned. At the same time it is probable that a revocation or disregard of this so-called civil service order would subject the new president to the severe criticism of civil service reformers who, without fully understanding the real merits of the situation, would regard a departure from the Taft order as a backward step. Both conformity to the spirit of the civil service system and the reasonable avoidance of violations of its letter are therefore likely to give President-elect Wilson unusual difficulties.

The opinion of the best qualified observers undoubtedly is that a period of unprecedented importance in the field of federal economic legislation is now open. The pledges already given by the party which now takes office commit it to radical measures of transformation which cannot help fundamentally altering the conditions under which trade and industry are conducted in the United States today.